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loans to family farmers for recreation enterprises

FARMERS HOME ADMINISTRATION
U.S. DEPARTMENT OF AGRICULTURE

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CURRENT SERIAL RECORDS



Farm operating and ownership loan programs of the Farmers Home Administration (U.S. Department of Agriculture) now include income-producing recreation enterprises as a purpose for which loans may be made to family farmers.

Loans for recreation enterprises are made only to farmers and ranchers who personally manage and operate not larger than family farms. They are aimed at helping borrowers develop recreation enterprises that will supplement their income from farming.

Loans are made by Farmers Home Administration only to applicants who cannot obtain the credit they need from other sources on reasonable terms.

Questions and answers explaining details of these loans follow:

How may loan funds be used?

To develop land and water resources; repair and construct buildings; purchase land, equipment, livestock and related recreation items; and pay necessary operating expenses.

Some examples of recreation enterprises that may be financed are camping grounds, swimming facilities, tennis courts, riding stables, vacation cottages, lodges and rooms for visitors, lakes and ponds for boating and fishing, docks, nature trails, picnic grounds, shooting preserves.

May a recreation facility developed with a Farmers Home Administration loan be for the exclusive use of the farmer and his family?

No. It must be income-producing, i.e., the borrower must derive income from the enterprise.





How much may a farmer or rancher borrow from Farmers Home Administration for a recreation enterprise?

It depends upon the applicant's needs and ability to repay the loan. A farmer may borrow up to \$35,000 in short-term or intermediate credit to finance farm and recreation equipment and operating expenses. The average loan of this type is about \$3,600.

Long-term loans also are available. These may not exceed the normal value of the farm and other security, minus any debts against this property. In no case may such a loan plus other debts against the security property exceed \$60,000. The average loan of this type is about \$15,000.

What security is required?

Long-term loans are secured by a mortgage on the farm. Other loans are secured by liens on crops or chattel property.

What are the terms?

A loan is scheduled for repayment over a period consistent with the borrower's ability to repay. His income from farming, the proposed recreation enterprise and any other income he may have are all taken into account. On loans secured by real estate, the repayment period may not exceed 40 years. On loans secured by chattels, the repayment period may not exceed 7 years.

And the interest rate?

Five percent per year on the unpaid principal. A borrower may make payments in advance in years of high income to build a reserve that will keep the loan in good standing during years of low income.

Borrowers are expected to refinance the unpaid balance of their loans with other lenders when able to do so at reasonable rates and terms.



Who is eligible for a loan?

To be eligible, an applicant must meet *all* of the following conditions:

- Be unable to provide the needed funds himself or obtain the required credit elsewhere at reasonable rates and terms.
- Have enough experience, background or training to be successful in the farming and recreation enterprise for which funds are needed.
- Have the necessary character, industry and ability to carry out the proposed enterprise.
- After the loan is made, be a tenant or owner operating a farm that is not larger than a family farm and receive a substantial portion of income from farming. (Income from recreation enterprises is not considered income from farming.)
- Be a U.S. citizen of legal age.

Who determines whether an applicant is eligible for a loan?

The Farmers Home Administration county or area committee. This committee is made up of three farmers familiar with local farm and credit conditions.

If the applicant is eligible, what is the next step?

The Farmers Home Administration county supervisor assists him in working out a farm and home plan, including a plan for the operation of the recreation enterprise. This plan is designed to help the farmer make the best use of his land, water, labor and other resources. It serves as a guide for the borrower and his family to follow in operating the farm and recreation enterprise.

Before a loan is made, it must be clear that the borrower will have enough income to meet operating and living expenses and repay the loan and other debts.

May a borrower use a recreation loan to convert his entire farm into a recreation enterprise?

No. The farm and home plan which will be prepared for his farm anticipates that he will continue to derive a substantial part of his income from farming. The plan will project a farming *and* recreation enterprise best adapted to his particular needs, resources and opportunities.

Where to apply?

The county Farmers Home Administration office serving the area where the applicant expects to carry out farming operations.

Anyone unable to locate this office, may write:

Information Division
Farmers Home Administration
U.S. Department of Agriculture
Washington 25, D.C.

Association loans

Loans from Farmers Home Administration to finance changes in current land use, including the development of recreation facilities and grazing and wooded areas, also are available to associations of farmers and other rural residents. The maximum amount a group may borrow is \$1 million. Information may be obtained from local offices of the Farmers Home Administration, which serve all rural counties in the U.S.

Cost-share assistance

In designated counties, the Agricultural Stabilization and Conservation Service provides financial assistance to individuals or groups who convert cropland to grass, trees, wildlife habitat and income-producing recreation facilities. For further information write: Information Division, Agricultural Stabilization and Conservation Service, U.S. Department of Agriculture, Washington 25, D.C.

Technical assistance

County supervisors of the Farmers Home Administration will assist farmers who obtain loans for on-farm recreation to plan and develop an efficiently operated enterprise. Work unit conservationists of the Soil Conservation Service, who serve all rural counties, are available to provide general guidance on recreation development within their areas, as well as technical aid on soil, water, plant and wildlife problems.

